

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3990

April 27, 2006

RESOLUTION

Resolution E-3990. Southern California Edison (SCE) Advice Letter (AL) 1975-E requests a temporary suspension of the Cost Responsibility Surcharge (CRS) collected from the City of Cerritos' (Cerritos) Community Aggregation (CA) customers via SCE's Schedule CCA-CRS. SCE's request is approved.

By Advice Letter 1975-E filed on March 1, 2006.

SUMMARY

The City of Cerritos' CA customers are currently paying 2.0 cents/kWh CRS.

Assembly Bill (AB) 80 enabled Cerritos to act as a Community Aggregator in SCE's service territory. Cerritos' CA customers have been paying the 2.0 cents/kWh CRS through SCE Schedule CCA-CRS pursuant to Decision (D.) 05-01-009 since July of 2005 in order to pay for electric costs that had already been incurred on their behalf prior to their CA cut-over date.

CRS funds from Cerritos' CA customers may have been over-collected.

A report submitted by a "Working Group" consisting of the Investor Owned Utilities (IOUs), Direct Access (DA), Departing Load (DL), and consumer protection parties in Rulemaking (R.) 02-01-011 is cited by SCE as providing a reasonable indication that an over-collection from Cerritos' CA customers is occurring as a result of the 2.0 cents/kWh CRS. Sufficient evidence exists to suspend the CRS currently collected from Cerritos' CA customers until a final CCA CRS is adopted by the California Public Utilities Commission (Commission), and which would also be adopted as the CRS paid by Cerritos' CA customers. SCE's AL 1975-E is hereby

approved.

BACKGROUND

The City of Cerritos' CA customers are currently paying 2.0 cents/kWh CRS.

The Commission adopted D. 05-01-009 on January 13, 2005, granting the application filed by SCE and Cerritos which settled certain disputes between SCE and Cerritos as to the intent of AB 80, resulting in Cerritos' ability to provide CA service.

AB 80 determined that a CRS would need to be collected from customers that receive CA service from Cerritos in order to pay for costs that had already been incurred by the Department of Water Resources (DWR) and SCE on behalf of electric customers in Cerritos' city limits. The money collected through the CRS is used to pay off the DWR Power Charge and the tail Competition Transition Charge. In D. 05-01-009, the Commission determined that CRS responsibility of Cerritos' CA customers would be the same as established in Rulemaking (R.) 03-10-003 for Community Choice Aggregation (CCA) customers.

On December 16, 2004, the Commission issued D. 04-12-046 in R. 03-10-003, establishing an interim CCA CRS of 2.0 cents/kWh and determined that this CRS level would be subject to a future true-up if the actual CRS differed by at least 30%.

The cost methodology for future CRS obligation calculations assigned to Direct Access (DA) and Departing Load (DL) customers will be determined in R.02-01-011. A Working Group report submitted in that proceeding is cited by SCE as providing a reasonable indication that an over-collection of the CRS funds has likely occurred from Cerritos' CA customers.

On December 15, 2005, the Commission adopted D. 05-12-041, stating its intent to undertake formal consideration of the final CCA CRS once a methodology for calculating the DA/DL CRS is adopted in R.02-01-011. The Commission acknowledged the Working Groups' technical work in R. 02-01-011 on a methodology for calculating the DA/DL CRS, and agreed

that it should be applied to CCAs to the extent doing so would reflect utility losses associated with CCA load migration.

A "Working Group" was formed in R. 02-01-011 during 2005, made up of the IOUs, DA, DL, and consumer protection parties in order to recalculate the DA/DL CRS from 2003 through 2005, and update forecasts for 2006 going forward. The Working Group's findings were documented in a report titled "Final Report of the Working Group to Calculate the CRS Obligation Associated with Municipal Departing Load and Direct Access" (Working Group Report). The report was submitted to the Commission on January 29, 2006 and parties to R. 02-01-011 filed comments on the report on March 8, 2006.

The 2006 CCA CRS will likely be 30% less than the current CCA CRS of 2.0 cents/kWh.

The Working Group Report's recommendations have not officially been adopted by the Commission. However, the report represents reasonable estimates of the CRS for CCA customers, and indicates that the 2006 CRS will likely be 30% less than the current CCA CRS of 2.0 cents/kWh.

The estimated CRS values in the Working Group Report indicated that, in all likelihood, an over-collection of CRS funds from Cerritos' CA customers is taking place. Therefore, SCE proposes to suspend the collection of the 2.0 cents/kWh CRS from Cerritos' CA customers on a temporary basis until the Commission issues a decision finalizing the CCA CRS true-up calculations. At that point, Cerritos' CA CRS would be revised.

NOTICE

SCE states that a copy of the Advice Letter 1975-E was mailed and distributed in accordance with Section III-G of General Order 96-A to the R. 03-10-003 service list.

PROTESTS

No protests to AL 1975-E were filed.

DISCUSSION

Suspension of the CRS collection from Cerritos' CA customers is temporary until an updated CCA CRS is calculated in the near-term.

The Energy Division's staff is not opposed to SCE's proposal to temporarily suspend the CRS collection from Cerritos' CA customers. The Working Group Report's CRS calculations, which have been included in the evidentiary record of R. 02-01-011 by an ALJ Ruling dated February 23, 2006, provide a reasonable indication that in 2006, the CCA CRS is likely to be 30% lower than the current CCA CRS of 2.0 cents/kWh. As noted above, the CRS rate payable by Cerritos' CA customers will be updated once the Commission issues a decision finalizing the CCA CRS true-up calculations.

Cerritos is currently the only city that is paying a CCA CRS. According to Cerritos' representatives, a "substantial" over-collection would occur if Cerritos' 2.0 cents/kWh CRS remained in effect.

The suspension of the CRS collection from Cerritos' CA customers does not affect SCE's bundled customers' financial indifference.

SCE cites the Working Group Report to support its statement that SCE has already collected sufficient funds from Cerritos' CA customers via the CRS, to date; hence, SCE's bundled customers will remain financially indifferent to this suspension.

Since SCE tariffs do not currently require SCE to track Cerritos' CRS collections, SCE is hereby authorized to track the Cerritos' CRS collections in a new sub-account within the Preliminary Statement Section JJ, Direct Access Cost Responsibility Surcharge Tracking Account (DA CRSTA). The purpose of this new sub-account will be to track the difference between the CRS revenues collected from Cerritos' CA customers, and Cerritos' CA customers' CRS obligation.

In the event that an under-collection occurs as a result of this temporary suspension, Energy Division staff is confident that SCE's CRS tracking account will keep accurate track of the CRS obligation pertaining to Cerritos' CA customers.

The Energy Division is not opposed to SCE's proposal to suspend Cerritos' CA CRS collection until the final CCA CRS is adopted by the Commission. AL 1975-E should therefore be approved.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 311(g)(1) to 16 days. Accordingly this matter will be placed on the first Commission's agenda 16 days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed no later than 13 days following the mailing of this draft resolution.

SCE was the only party to file comments pertaining to this Resolution.

FINDINGS

1. The Commission adopted D. 05-01-009 on January 13, 2005, granting the application filed by SCE and Cerritos which settled certain disputes between SCE and Cerritos as to the intent of AB 80, resulting in Cerritos' ability to provide CA service.
2. In D. 05-01-009, the Commission determined that the CRS responsibility of Cerritos' CA customers would be the same as established in Rulemaking (R.) 03-10-003 for CCA customers.
3. On December 16, 2004, the Commission issued D. 04-12-046, establishing an interim CCA CRS of 2.0 cents/kWh and determined that this CRS level would be subject to a future true-up if the actual CRS differed by at least 30%.

4. The money collected through Cerritos' CRS is used to pay off the DWR Power Charge and the tail Competition Transition Charge.
5. On December 15, 2005, the Commission adopted D. 05-12-041, stating its intent to undertake formal consideration of the final CCA CRS once a methodology for calculating the DA/DL CRS is adopted in R. 02-01-011.
6. In R.02-01-011, a "Working Group" was formed in 2005, made up the IOUs, DA, DL, and consumer protection parties in order to recalculate the DA/DL CRS from 2003 CRS through 2005 and update forecasts for 2006 going forward.
7. The Working Group report filed in R.02-01-011 reports a recommended 2006 DA/DL CRS. This report provides a reasonable estimate for believing that the 2006 CCA CRS will likely be 30% less than the current CCA CRS level of 2.0 Cents/kWh.
8. The estimated CRS values in the Working Group Report, which are reasonable estimates of the CCA CRS, indicate that an over-collection of CRS funds from Cerritos' CA customers is likely taking place. The Energy Division is not opposed to SCE's proposal to suspend SCE's CRS collection from Cerritos' CA customers on a temporary basis until the Commission issues a decision on the final CCA CRS calculations.
9. The Energy Division believes that a temporary suspension of CRS collection from Cerritos' CA customers will not result in cost shifting to SCE's bundled customers. SCE will accurately track the CRS obligation pertaining to Cerritos' CA customers in a sub-account under the previously established DA CRSTA. The Commission intends to undertake consideration of a methodology for calculating the CCA CRS that will be used to set a correct CRS rate collection from Cerritos' CA customers on a going forward basis.

THEREFORE IT IS ORDERED THAT:

1. The Commission approves SCE's request to temporarily suspend the

CRS that has been collected via Schedule CCA-CRS from Cerritos' CA customers until the Commission issues a decision finalizing the CCA CRS true-up calculations. The tariff sheets filed via AL 1975-E are hereby approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 27, 2006 the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners